

EDUMBE LOCAL MUNICIPALITY – KZN 261

FINAL BUDGET REPORT

2019/20- 2021/22



MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS

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Details on the contents of each of the above sections are provided in the Schedules to the Municipal Budget and Reporting Regulations, as published in Part 1 of 2 Government Gazette No.32141 dated 17 April 2009

## **TABLING OF FINAL ANNUALLY BUDGET FOR 2019/20 TO 2021-22**

### **MTREF FINANCIAL YEAR**

#### **PART 1**

##### **1.1. MAYOR'S REPORT**

Mayor CLLR Mavuso to deliver his speech during Council meeting on 27 June 2019 at Council Chamber .(See attached Mayor presentation or Speech).

##### **1.2 PURPOSE**

The purpose of the item is to submit the Final MTEF budget for 2019/2020 to 2012-22 financial year in terms of section 16 (1) of the Local Government: Municipal Finance Management Act no. 56 of 2003.

##### **1.3 BACKGROUND**

In terms of section 16 (1) of the Municipal Finance Management Act, the municipal council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Section 16 (2) stipulates that in order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 30 days before the start of the budget year.

##### **1.4 DISCUSSION**

###### **1.4.1 Executive Summary**

The application of sound financial management principles for the compilation of eDumbe Local Municipality financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

National Treasury's MFMA Circular No. 85 and 86 were used to guide the compilation of the 2019/20 – 2021/22 MTREF. The mSCOA Regulations was also taken into account when the draft budget was compiled and the budget complies with the mSCOA requirements.

The main challenges experienced during the compilation of the 2019/20 MTREF has not changed from the previous year's challenges which were experienced by the municipality when the budget was previously compiled. The challenges can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Most of the rural settlements are small thus making service delivery costly, this effect is compounded by the aspect that only 35% of the municipality's population lives in an urban area while 65% lives in the rural hinterland of the municipality. The spatial development pattern of the municipality will have to be addressed.
- Income levels in eDumbe tend to be quite low with 69% of the population earning less than R1200 a month. The traditional and rural areas are the most poverty stricken.
- The municipality has also experience the challenge due to the cutting of the expenditure by National and Provincial government. All grants were affected but cut costing measures implemented by the government.

#### **1.4.2 Overview of budget assumptions**

##### **1.4.1 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2019/2020 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on eDumbe Municipality residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and
- The increase in the cost of remuneration. Employee related costs comprise 41 per cent of total operating expenditure in the 2019/2020 MTREF.

#### **1.4.2 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. The eDumbe Municipality engages in a number of financing arrangements to appointed Services providers to outsourced monies for the eDumbe Municipal in order to face a backlog in terms of Service Delivery issues and minimize its interest rate costs and risk. There is no borrowing during 2019/2020 financial year.

#### **1.4.3 Collection rate for revenue services**

It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term, having considered this it is prudent to assume that tariff increases will be modest going forward.

The rate of revenue collection is currently not expressed as a percentage of annual billings. Cash flow is assumed to be a challenge for eDumbe Municipality billings, plus an increased collection of arrear debt from the revised credit control and debt collection policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

#### **1.4.4 Salary increases**

Employees' salaries overall increase by 6.5% based on based on the projected CPI plus 1.5% with effect from 1 July 2019 as per the salary and wage collective agreement for the period 01 July 2018 to 30 June 2021 dated 15 August 2018. The projected CPI to be used is the forecast of the Reserve Bank, in terms of the January 2019 Monetary Policy Committee Statement.

Remuneration for councillors is increasing by 6% this is based on actual costs approved in accordance with the recent Government Gazette of Public Office Bearers Act.

#### **1.4.5 Impact of national, provincial and local policies**

Integration of service delivery objectives between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDP, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiative.

#### **1.4.6 Budget related policies**

- ❖ Various policies approved by Council underpin governance and the financial functioning of the municipality and are relevant to the budget process. The purpose of this section of the Budget Report is to indicate the key policies in this regard and to seek review by Council of any amendments and new policies that are align to current situation. The following policies are approved:
  - ❖ Property Rates policy
  - ❖ Indigent Policy
  - ❖ Virement Policy
  - ❖ Cash ,Banking and Investment Policy
  - ❖ Petty Cash Policy
  - ❖ Credit Control policy
  - ❖ Supply Chain Management Policy
  - ❖ Debt impairment Policy
  - ❖ Tariffs Policy

- ❖ Budget Policy Cash Banking and Investment Management Policy
- ❖ Customer Care, Credit, Debt Collection Policy and Bylaw.
- ❖ Budget Policy
- ❖ Debt Impairment Policy
- ❖ Debt Incentive Policy
- ❖ Risk Policy
- ❖ Risk Management Policy
- ❖ Anti Fraud and Corruption Policy
- ❖ Whistle Blowing Policy
- ❖ Consultants Policy
- ❖ Service Delivery Policy
- ❖ Financial Misconduct Policy
- ❖ Electricity Bylaw

### **3 Legislative framework**

The 2019/2020 budget is prepared in accordance with the Local Government; Municipal Finance Management Act, 2003 and the Municipal Budget and reporting regulations issued by the Minister in terms of Section 168(1) of the Act. In terms of these regulations a multi-year budget spanning over three (3) years is prepared. It needs to be noted that the figures for 2019/2020 and 202/2022 are indicative in terms of the medium term expenditure framework.

The budget comprise of two categories:

- (a) Operational Budget
- (b) Capital Budget

**The focus area where eDumbe Municipality is rendering service to community includes the following:**

- Electricity supply
- Municipal roads and Solid waste removal
- Cemeteries
- Fire fighting and Public safety services

### **Linkages between the budget, the IDP and political priorities**

Firstly, the budget timetable and the IDP process plan are aligned through an integrated time schedule.

Secondly, the IDP is prepared and the projects are included in the budget with each project properly reference per IDP reference number.

Moreover, the financial plan comprising the total budget, among other items, is included in the IDP.

Finally, the implementation of electricity and solid waste projects and other assigned functions through the structures Act constitutes compliance with National, Provincial and Local development goals to eradicate backlogs of the past.

### **Operating Revenue Framework**

The expenditure required to address these challenges will inevitably always exceed available funding hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues. The municipality has a huge task to implement the revenue enhancement strategy due to the fact that the municipality has a huge backlog on infrastructure which must be addressed.

Cash flow has become a huge challenge in a municipality due to the non-payment by customers. One of the challenges which cause the customers not to pay is the current economy status within the area which has affected the market and some businesses are struggling to cope with the situation.

The municipality's revenue strategy is built around the following key components:

- Efficient revenue management and electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and rendering of free basic services; and Tariff policies of the municipality.

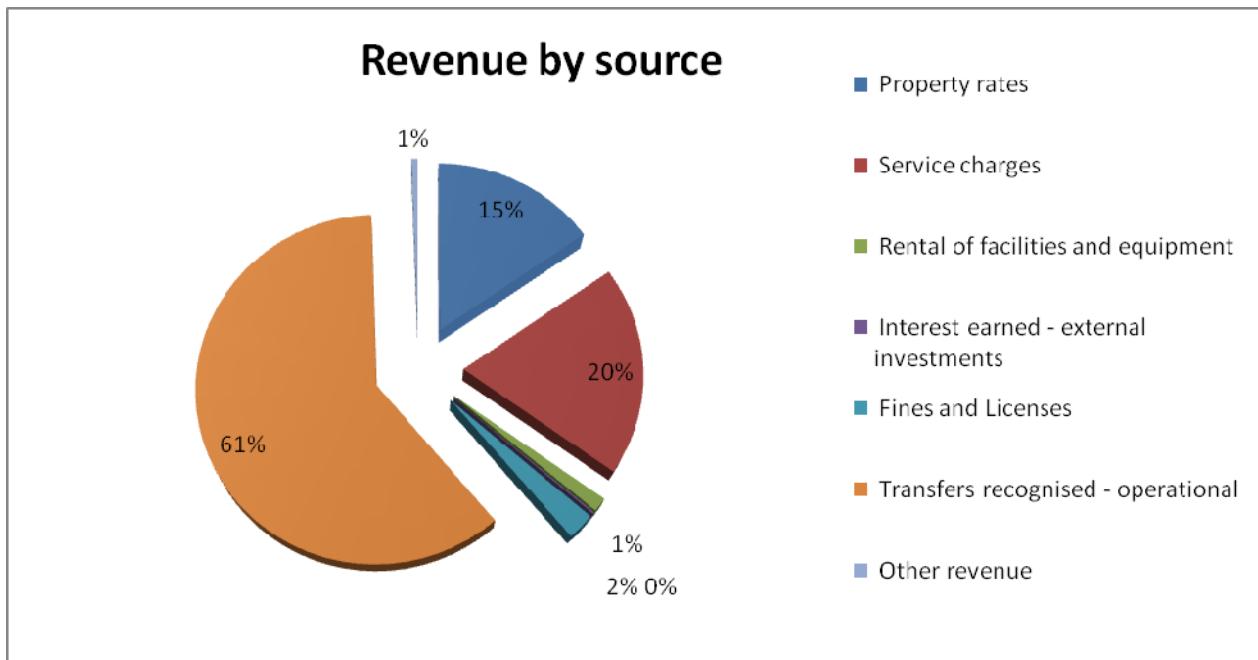
## Summary of revenue classified by main sources

KZN261 eDumbe - Table A4 Budgeted Financial Performance (revenue management)

Description R thousand	2019/20 Medium Term Revenue & Expenditure Framework		
	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b><u>Revenue By Source</u></b>			
Property rates	21 531 976	22 620 734	23 977 978
Service charges - electricity revenue	23 119 531	24 506 703	25 977 105
Service charges - refuse revenue	6 286 843	6 412 579	6 540 831
Rental of facilities and equipment	1 634 338	11 732 399	1 836 343
Interest earned - external investments	1 060 000	1 123 600	1 191 016
Fines , Licences and permits	4 011 500	4 011 500	4 507 321
Transfers recognised - operational	78 287 000	83 231 800	90 764 000
Other revenue	646 245	685 019	726 121
	<b>139 465 000</b>	<b>142 581 000</b>	<b>155 699 367</b>
Total Revenue (excluding capital transfers and contributions)			

The format prescribed by National Treasury has been used to prepare the above schedule and the operating statement has excluded the capital transfers to allow the user to see whether the operating activities of municipality results to the deficit or surplus.

The revenue as per chart is as follows:



### Sale of Electricity and Impact of Tariff Increases

NERSA has approved an average increase to Eskom on bulk electricity by 9.41% per cent. The municipality will be applying to NERSA for the electricity tariff increase for 13.01% as per the NERSA guidelines which given to all license municipalities dated 28 March 2019.

When the increases on Electricity sales were done the new development in town which include new shops (eDumbe Shopping Centre) were considered as well as the electrification project for Emncelwini Ward 3. The 2018/19 Mid-year budget review figures were taken into account when the projection of total amount of electricity sales was done with the addition of the new connections.

## Operating Transfers and Grant Receipts

The National Treasury and Provincial KZN has allocated grants to the municipality through DORA which will assist on the provision of the basic services. The schedule of grants received is as follows:

Details	Final Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>GRANTS &amp; SUBSIDIES</b>			
<b>National Government</b>			
Equitable Share	74 585 000	79 359 000	84 606 000
Finance Management Grant	2 435 000	2 867 000	3 131 000
Municipal Infrastructure Grant	18 047 000	18 834 000	19 967 000
Integrated National Electrification	15 000 000	15 000 000	16 000 000
Public Works Integrated Grant	1 267 000	-	-
	<b>111 334 000</b>	<b>116 060 000</b>	<b>123 704 000</b>
<b>Provincial Government</b>			
Provincialisation of Libraries	1 760 000	1 848 000	1 950 000
Community Library Services	1 171 000	1 253 000	1 341 000
	<b>2 931 000</b>	<b>3 101 000</b>	<b>3 291 000</b>
<b>Total Grants &amp; Subsidies</b>	<b>114 265 000</b>	<b>119 161 000</b>	<b>126 995 000</b>

## Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The first R15 000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA). In addition to this rebate, a further R110 000 reduction on the market value of a property will be granted in terms of eDumbe Local Municipality's proposed draft Property Rates Policy to be implemented in 2019/2020 to address the value of the properties for indigent household taking into account the RDP House value.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance.

The proposed property rates tariff for 2019/2020 financial year has been calculated in compliance with the MPRA regulations which stipulate the ratios of tariffs per category. It must be noted that the previous year's tariffs was not complying with the MPRA regulations when it comes to ratios per category. The revenue forgone has been calculated to R 2 179 618 based on the R65 000 reduction amount on all residential properties.

The proposed tariffs for the property rates which will be implemented by eDumbe Local Municipality is as follow:

Property Category	Budget 2018/2019	Rebate	Budget 2019/2020	Rebate
Residential	0.008949		0.009485	
Business, Commercial	0.02237	15%	0.02377	15%
Industrial business	0.01342		0.002371	
Agricultural	0.002237		0.002371	
State Owned Properties	0.02237		0.02371	
Public Service Purposes	0.002237		0.002371	
Public Service Infrastructure	0.002237		0.002371	
Multi Purpose Properties	0.02237	15%	0.002371	15%
Illegal use	0.02684		0.02845	
Vacant Land	0.02684		0.02845	
Place of Public Worship		Exempted 100%		
Municipal properties				
Communal Land				
Public Benefit Organisation Properties, and Non-Profit Organisation Properties				

Due to challenges on the data and the submission of statement of account the municipality will be charging interest on overdue accounts in 2019/20 financial year for rates and refuse account but interest will be charged on all Electricity accounts as per proposed tariffs charges and the situation will be reviewed during the financial year and the municipality has targeted 2019/20 financial year for starting to charged the interest on all overdue accounts at 1.2% on 30 days account in arrears .

## **Waste Removal and Impact of Tariff Increases**

A 3.5 per cent increase in the waste removal tariff is proposed from 1 July 2019. The following table compares current and proposed amounts payable from 1 July 2018:

<b>Waste removal proposed tariffs</b>	<b>2018/2019 excl. VAT</b>	<b>2019/2020 excl. VAT</b>
1. Domestic removal - Refuse	R 110.02	R 113.87
2. Business removal - Refuse		
1 - 2 Bins	R296.75	R307.14
3 - 4 Bins	R 445.48	R 461.07
5 - 6 Bins	R 479.60	R 496.39
More than 6 Bins	R 687.42	R 711.48

## **EXPENDITURE SECTION**

### **Operating Expenditure Framework**

The eDumbe Local Municipality expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital program is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

KZN261 eDumbe - Table A4 Budgeted Financial Performance (expenditure management)

Choose name from list - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<u>Revenue By Source</u>											
Property rates	2	14056	14884	18274	20313	-	20313	-	21532	22621	23978
Service charges - electricity revenue	2	14218	15600	16431	18829	3000	18829	-	24848	24507	25977
Service charges - refuse revenue	2	5589	6105	6029	6074	-	6074	-	6287	6413	6541
Rental of facilities and equipment		1346	1250	1411	1456		1456		1634	1732	1836
Interest earned - external investments		298	357	746	480	520	1000		1060	1124	1191
Fines, penalties and forfeits		3588	1304	(257)	4758	(1758)	3000		3000	3180	3371
Licences and permits		858	880	1114	954		954		1012	1072	1137
Transfers and subsidies		69460	80954	107555	73121	6461	79582		81218	83232	90764
Other revenue	2	1331	822	1045	1176	5544	6720	-	2826	876	929
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		110743	122157	152347	127161	13767	127161	-	143417	144756	155723
<u>Expenditure By Type</u>											
Employee related costs	2	37604	41748	48405	50248	-	50248	-	54622	58445	62536
Remuneration of councillors		5217	5236	4943	5464		5464		5629	5967	6444
Debt impairment	3	4244	8472	12309	10907		10907		11000	11660	12360
Depreciation & asset impairment	2	8891	9932	12305	7254	2746	7254	-	10000	10600	11236
Finance charges		2864	2431	846	150		150		159	169	179
Bulk purchases	2	16679	18648	20045	18163	837	18163	-	20788	22035	23357
Other materials	8										

		2012	795	2500				3200	1192	2192
Contracted services		2593	3156	10454	7763	-	-	8028	8510	9021
Other expenditure	4, 5	25933	17292	8795	22599	6926	6926	-	26039	24004
Loss on disposal of PPE										25390
<b>Total Expenditure</b>		<b>106037</b>	<b>107710</b>	<b>118104</b>	<b>125048</b>	<b>10509</b>	<b>10509</b>	<b>-</b>	<b>139465</b>	<b>142581</b>
<b>Surplus/(Deficit)</b>		<b>4706</b>	<b>14447</b>	<b>34244</b>	<b>2114</b>	<b>3258</b>	<b>3258</b>	<b>-</b>	<b>3952</b>	<b>2175</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)					39674				33047	32253
Transfers and subsidies - capital (in-kind - all)										35328
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>4706</b>	<b>14447</b>	<b>34244</b>	<b>41788</b>	<b>3258</b>	<b>3258</b>	<b>-</b>	<b>36999</b>	<b>34428</b>
Taxation										38337
<b>Surplus/(Deficit) after taxation</b>		<b>4706</b>	<b>14447</b>	<b>34244</b>	<b>41788</b>	<b>3258</b>	<b>3258</b>	<b>-</b>	<b>36999</b>	<b>34428</b>
Attributable to minorities										38337
<b>Surplus/(Deficit) attributable to municipality</b>		<b>4706</b>	<b>14447</b>	<b>34244</b>	<b>41788</b>	<b>3258</b>	<b>3258</b>	<b>-</b>	<b>36999</b>	<b>34428</b>
Share of surplus/ (deficit) of associate	7									38337
<b>Surplus/(Deficit) for the year</b>		<b>4706</b>	<b>14447</b>	<b>34244</b>	<b>41788</b>	<b>3258</b>	<b>3258</b>	<b>-</b>	<b>36999</b>	<b>34428</b>

Choose name from list - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<u>Revenue - Functional</u>										
<i>Governance and administration</i>		41002	44837	49977	53808	620	53808	61452	62805	67077
Executive and council		9725	9005	10942	10348	–	10348	11623	12365	13180
Finance and administration		31278	35832	39036	43460	620	43460	49830	50440	53898
<i>Community and public safety</i>		15577	15397	20572	30454	(2297)	30454	21941	23311	24811
Community and social services		9718	9798	16566	12792	–	12792	14200	15091	16074
Sport and recreation		150	–	–	9589	(539)	9589	–	–	–
Public safety		5708	5599	4006	8073	(1758)	8073	7741	8220	8738
<i>Economic and environmental services</i>		23795	22913	36058	43353	6721	43353	46147	45566	46570
Planning and development		5808	7246	2364	7888	221	7888	8883	9446	10061
Road transport		17986	15667	33694	35465	6500	35465	37264	36120	36509
<i>Trading services</i>		29023	38163	45740	38266	3000	38266	44473	46990	52593
Energy sources		23442	32325	38902	32192	3000	32192	38186	40577	46052
Waste management		5580	5838	6838	6074	–	6074	6287	6413	6541
<b>Total Revenue - Functional</b>	<b>2</b>	<b>109396</b>	<b>121310</b>	<b>152347</b>	<b>165881</b>	<b>8044</b>	<b>165881</b>	<b>174014</b>	<b>178672</b>	<b>191051</b>
<u>Expenditure - Functional</u>										
<i>Governance and administration</i>		55107	59354	63080	75025	3347	75025	84264	87316	94097
Executive and council		17035	17490	1830	15443	(712)	15443	15049	15996	17122
Finance and administration		38072	41863	61250	59582	4060	59582	69214	71320	76975
<i>Community and public safety</i>		7686	12183	9944	11604	(39)	11604	12919	13535	14420
Community and social services		7211	10908	8703	11055	–	11055	12362	12945	13795
Sport and recreation		150	–	–	89	(39)	89	–	–	–
Public safety		325	1275	1241	460	–	460	557	590	625
<i>Economic and environmental services</i>		24432	17673	20340	44186	6500	44186	37015	36060	38117
Planning and development		7159	5097	2512	3776	–	3776	4924	5255	5620
Road transport		17273	12575	17827	40410	6500	40410	32091	30805	32497
<i>Trading services</i>		18212	18500	24741	34685	837	34685	39203	41655	47194
Energy sources		18012	18500	24491	34435	837	34435	38938	41374	46897
Waste management		200	–	250	250	–	250	265	281	298
<i>Other</i>	<b>4</b>	<b>600</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Expenditure - Functional</b>	<b>3</b>	<b>106037</b>	<b>107710</b>	<b>118104</b>	<b>165500</b>	<b>10645</b>	<b>165500</b>	<b>173401</b>	<b>178566</b>	<b>193828</b>
<b>Surplus/(Deficit) for the year</b>		<b>3359</b>	<b>13600</b>	<b>34244</b>	<b>381</b>	<b>(2601)</b>	<b>381</b>	<b>612</b>	<b>106</b>	<b>(2777)</b>

Choose name from list - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<u>Revenue by Vote</u>	1	9725	9005	10942	10348	–	10348	11623	12365	13180
Vote 1 - Executive Department		26074	29889	33337	36109	620	36109	40137	42256	45174
Vote 2 - Finance Department		10912	11541	9705	15424	(1758)	15424	17434	16404	17462
Vote 3 - Corporate Services		5808	7246	2364	7888	221	7888	8883	9446	10061
Vote 4 - Planning and Development		47009	53830	79434	83231	9500	83231	81737	83110	89102
Vote 5 - Technical Services		9868	9798	16566	12881	(539)	12881	14200	15091	16074
<b>Total Revenue by Vote</b>	2	<b>109396</b>	<b>121310</b>	<b>152347</b>	<b>165881</b>	<b>8044</b>	<b>165881</b>	<b>174014</b>	<b>178672</b>	<b>191051</b>
<u>Expenditure by Vote to be appropriated</u>	1	17035	17490	8618	15443	–	15443	15049	15996	17122
Vote 1 - Executive Department		18225	18150	37143	32501	–	32501	37385	39710	42179
Vote 2 - Finance Department		20172	24989	25348	27541	–	27541	32386	32200	35420
Vote 3 - Corporate Services		7759	5097	4740	3776	–	3776	4924	5255	5620
Vote 4 - Planning and Development		35485	31075	33552	75095	–	75095	71294	72460	79691
Vote 5 - Technical Services		7361	10908	8703	11144	–	11144	12362	12945	13795
<b>Total Expenditure by Vote</b>	2	<b>106037</b>	<b>107710</b>	<b>118104</b>	<b>165500</b>	<b>–</b>	<b>165500</b>	<b>173401</b>	<b>178566</b>	<b>193828</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>3359</b>	<b>13600</b>	<b>34244</b>	<b>381</b>	<b>8044</b>	<b>381</b>	<b>612</b>	<b>106</b>	<b>(2777)</b>

### **Employee cost**

The employee related cost comprises of 41% of the operating budget and 31% of the total budget inclusive of Capital budget excluding the councillor's remunerations. The employee costs percentage is above the threshold/ acceptable norm as per National Treasury Circular 71 which indicates that the acceptable norm for the Employee related cost must be 25% to 40%.

$$\begin{aligned} & \text{Remuneration (Employee Related Costs and Councillors' Remuneration) / Total} \\ & \quad \text{Operating Expenditure} \times 100 \\ & = (\text{R}53\ 750\ 249 + \text{R}\ 5\ 629\ 194) * 100 / 138\ 658\ 858 \\ & = \underline{\underline{41\%}} \end{aligned}$$

The increase on salaries for employees has been projected at 6.5% as per Circular no. 85 and 86 issued by National Treasury as well as bargaining Council circular for increment of salaries.

The employee cost has a provision of new posts to be filled during the next financial year. The posts in question are as follows:

Also included on the employee related costs is the provision for travel allowances for all managers at R 6 500 per month. The managers will therefore not be eligible to use municipal vehicles as they will be having the travel allowances.

### **Remuneration for Councillors**

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipal budget. It must also be noted that the position of the Mayor and Speaker are full time which had an impact on the allowances of the councilors.

### **Bulk Purchase**

Bulk purchases are directly informed by the purchase of electricity from Eskom. The guideline for the tariffs charge increases has been approved by NERSA for municipalities at 9.41% taking into account the approval made by NERSA for Eskom increases on electricity. Tarrifs will be increase by 13.01 % .

Financial Years		2019/20	2018/19
<b><u>Domestic: Prepaid and Conventional</u></b>		<b>c/kwh</b>	<b>c/kwh</b>
Block 1.	0 – 50 kwh	109.96	97.25
Block 2.	51 – 350 kwh	138.55	121.86
Block 3.	351 – 600 kwh	178.82	158.15
Block 4.	> 600 kwh	185.48	164.04
*Conventional metering, fix monthly charge of Pm		R 231.89	205.05 pm
<b><u>Commercial prepaid</u></b>		<b>c/kwh</b>	<b>c/kwh</b>
Energy Charge.		215.89	190.97
<b><u>Commercial: Conventional</u></b>		<b>c/kwh</b>	<b>c/kwh</b>
Energy Charge .		172.49	152.56
*Conventional metering, fix monthly charge of		R 827.99 pm	R 732.28
<b><u>Commercial (Vacant land)</u></b>			
Basic charge		R 559.04	R 545.97
<b><u>Industrial:</u></b>			
Energy Charge.		105.98 c/kwh	93.73 c/kwh
Demand Charge.		217.37 kva	192 kva
Basic Charge.		4261.81 per month	3769.18 PM

### Contracted services

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2019/20 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. The contracted services include the provision of the grass cutting to the municipal properties and the security services to all municipal buildings as per the service level agreement that was expired but the Municipality is in a process to do this services in House as part Cut costing measure as outlined in a secular 82 which the Municipality will make a saving out this contracted Services . An amount of R 7 112 500 has been provided in the budget for 2019/20 financial year.

Description	Budget Year 2019/2020	Budget Year 2019/2020	Budget Year 2020/2021
Security Services	R 5 100 000	R 5 406 000	R 5 730 360
Grass Cutting	R 2 0125 00	R 2 354 250	R 2 485 965
	<b>R 7 112 500</b>	<b>R 7 760 250</b>	<b>R 8 216 325</b>

### Repairs and maintenance of assets

This has become a challenge when it comes to the disclosure of the amount to be spent on the repairs and maintenance of the assets. This is because the repairs and maintenance portion include the portion of salaries of employees which are involved on the repairs and maintenance. The repairs and maintenance budgeted for 2019/2020 financial year per item is as follows excluding the salaries portion.

#### Repairs and Maintenance

Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Electricity Infrastructure</b>	<b>1 590 000</b>	<b>1 685 400</b>	<b>1 786 524</b>
<b>Operations &amp; Maintenance</b>	<b>530 000</b>	<b>561 800</b>	<b>595 508</b>
<b>Building Maintenance</b>	<b>710 000</b>	<b>765 702</b>	<b>811 644</b>
<b>Total</b>	<b>2 830 000</b>	<b>3 012 902</b>	<b>3 193 676</b>

### Free Basic Services: Basic Social Services Package

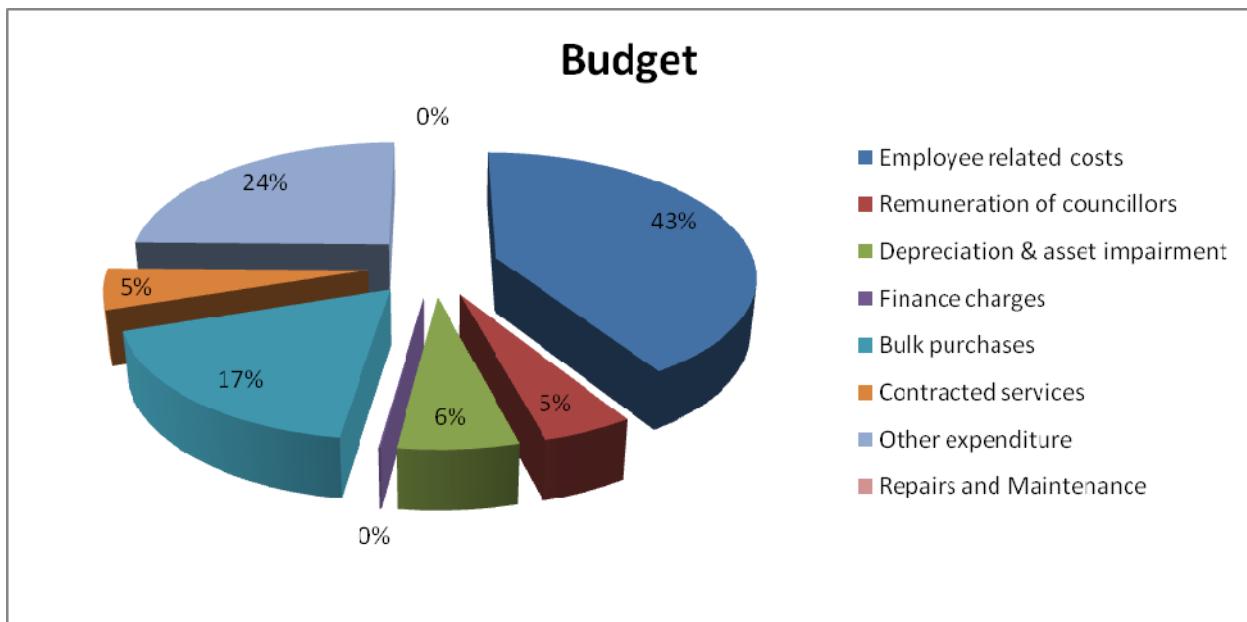
The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the eDumbe Local Municipality's Indigent Policy. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement). The municipality is currently provide the free basic electricity to rural household and the municipality pay Eskom for the provision of the free basic electricity since the license holder is Eskom.

The budgeted amount for FBE has been included on the bulk purchases for electricity. And we have indigent policy for eDumbe Municipality.

## Depreciation

This is a non cash item budgeted for as per the stipulation of the new accounting standards and is funded from backlog depreciation. The depreciation and impairment of assets has been budgeted at R 21 000 000 for 2019/2020 financial year we did not increase this financial.

The following table/ chart give a breakdown of the main expenditure categories for the 2019/20 financial year.



Expenditure by source			
Expenditure By Type			
Employee related costs	53 800 249	58 340 024	62 423 825
Remuneration of councillors	5 629 194	5 966 946	6 444 302
Depreciation & asset impairment	21 000 000	22 260 000	23 595 600
Finance charges	159 000	168 540	178 652
Bulk purchases	20 787 900	22 035 174	23 357 284
Contracted services	7 551 250	8 004 325	8 484 585
Other expenditure	26 951 265	30 916 449	32 690 806
Repairs and Maintenance	2 830 000	3 821 902	3 180 058
<b>Total Expenditure</b>	<b>138 658 858</b>	<b>144 639 091</b>	<b>151 049 451</b>

## Summary of expenditure

Provision is made for the following general expenses with any increase in listed below increase in items for 6 % increase on general expenses .

<b>Operating Expenditure by Type</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2020/22</b>
Employee related costs	53800249	57566267	61595906
Remuneration of Councillors	5629194	5966946	6444302
<b>Salaries Wages and Allowances</b>	<b>59429444</b>	<b>63533213</b>	<b>68040207</b>
Accomodation Expenses	768000	805610	845154
Advertising	146068	154832	164122
Arts & Culture: Social Cohesion	120000	127200	134832
Asset Maintenance Project	800000	848000	898880
Audit Committee	212000	224720	238203
Audit Fees External	1378000	1460680	1548321
Books & Stationery	159000	168540	178652
Bulk Purchases	20787900	22035174	23357284
Bank Charges	159000	168540	178652
By-laws and strategies	58300	61798	65506
Communications	74200	78652	83371
Cleaning material	106000	112360	119102
Printing Expenditure	1497160	208990	221529
Contract Services	7551250	8004325	8484585
Debt impairment	11000000	11660000	12359600
Courier and Postage Charges	4240	4494	4764
Depreciation	10000000	10600000	11236000
Disaster Victims	190800.00	202248	214383
Electricity FBE	1559981	1653580	1752794
Extended Public works Program	1267000	-	-
Finance Management Grant	2435000	2581100	2735966
Fuel & Oil	636000	674160	714610
HIV/ AIDS Programmes	53000	55120	57325
Indigent Burial	150000	156000	162240
Insurance	705000	747300	792138
Internet supply	190800	202248	214383
LED Projects	500000	530000	567100
Legal Fees	1060000	1123600	1191016
Library Services	1171000	1171000	1253000
Medical Examinations	21200	22472	23820
Membership /Subscriptions	603000	639180	677531
MIG operating expenditure	902350	-	-
mSCOA Implementation	500000	530000	561800
Municipal Cellphones	159000	168540	178652
PBX System	159000	168540	178652
Protective Clothing	307400	325844	345395
Printing & Stationery	190800	202248	214383
Prepaid Sales Expenses	480000	508800	539328
Provincialisation of Libraries	1760000	1830400	1903616
Rental Office Machines	477000	505620	535957
Road Transport Quality System	63600	67416	71461
Shared Services - Planning	265000	280900	300563

Special programmes	200000	212000	220480
SPLUMA Implementation	318000	337080	357305
Supplementary Valuation roll	1550000	1643000	1741580
Tools	21200	22048	22930
Tourism Projects	300000	318000	340260
Training Staff	150000	159000	168540
Traditional Leaders Allowance	50000	52000	54080
Ward Committee Expenses	657200	696632	738430
Waste management	265000	280900	297754
Water & Electricity	150000	159000	168540
Youth and Sports Development	580000	614800	651688
<b>General Expenses</b>	<b>74869449</b>	<b>75564691</b>	<b>80066257</b>
<b>Operating Expenditure by Type</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2020/22</b>
Electricity Infrastructure	1590000	1685400	1786524
Operations & Maintanance	530000	561800	595508
Building and Structures	530000	561800	584272
Maintenance of Roads	80000	-	89888
Vehicle	100000	-	-
<b>Maintenance and Repairs</b>	<b>2830000</b>	<b>2809000</b>	<b>3056192</b>
Leave	821715	879235	940782
<b>Contributions</b>	<b>821715</b>	<b>879235</b>	<b>940782</b>
Capital - New vehicles	3200000	-	-
Capital - MIG and Energy Projects	32144650	33144650	37892300
<b>Capital</b>	<b>35344650</b>	<b>33144650</b>	<b>37892300</b>
<b>Grand Totals</b>	<b>173295258</b>	<b>175930789</b>	<b>189995738</b>

## Approved Capital expenditure

The following table provides a breakdown of budgeted capital expenditure funded by grants and Own funding:

R Thousand	Program/ Project Description	Asset Sub-class	Total Project Estimate	Project Information
Own Fundind	Motor Vehicles	Vehicles	R 3 200 000	eDumbe Local Municipality
Mig Project	Phase Two Project	Roads	R 644 650	Ward 3
MIG Project	Nkonkotho Pension Point	Penion Point	R 2 000 000	Ward 1
MIG Project	Fencing of Mangosuthu	Hall Community	R 2 000 000	Ward 2
MIG Project	eDumbe Community Renew	Hall Community	R 2 000 000	Ward 3
MIG Project	Kwampunzi Access Roads	Road Rew	R 2 700 000	Ward 5
MIG Project	Khambula Hall	Community Hall	R 2 700 000	Ward 7
MIG Project	Emfeni Access Roads	Rew Road	R 2 400 000	Ward 6
MIG Project	Paddafontein Community Hall	Community Hall New	R 2 700 00	Ward 8
<b>Total MIG EXPENDITURE</b>			<b>R 18 047 000</b>	
Electrification Services	Lenjann Electrification	Electrification	R 1 786 780	Ward 1
Electrification Services	Obivane Electrification	Electrification	R 4 104 952	Ward 1
Electrification Services	Phoqukhalo Electrification	Electrification	R1 500 000	Ward 3
Electrification Services	Infrastrture Electrification	Electrification	R376 257	Ward 3
Electrification Services	Nkembeni Electrification	Electrification	R1 392 142	Ward 6
Electrification Services	Ntungwini Electrification	Electrification	R 886 173	Ward 6
Electrification Services	Nhlungwane Electrification	Electrification	R 5 592 185	Ward 8
<b>Total Expenditure</b>			<b>R 15 000 000</b>	
<b>TOTAL CAPITAL EXPENDITURE</b>			<b>R 35 344 650</b>	

**The Capital Approved budget** is funded by the grants which will be transferred to the municipality by National Treasury as per DORA allocation gazette for 2019. The capital budget of eDumbe Local Municipality has increased from Energy in last financial year was R13.3 m compare to current financial year R 15 million its show any increase of 11.33 % as per Dora Gazette. The Municipal Infrastructure Grant it shows any decrease from last financial ,the amount for the last year was R 32 million compare to this financial year R 18 million shows any decrease of R 14 million this will have the impact on services delivered of eDumbe Local Municipality for coming Financial year 2019/20

The municipality has also budgeted for capital expenditure out of the cash generated by the municipality. That will be funded by own funding The projects which are budgeted for under cash generated funding are as follows: Motor Vehicles of R 3.2 Million that included Three bakkies and Tipper Truck for Services Deliver of eDumbe Municipality for financial year 2019/20 That form the part of Cut Cost containment

major because the Municipality used to higher fleet from services provider but now its budget within a Municipality in order to save monies for Services Delivery.

### **Recommended Council Resolutions**

1. The Mayor of eDumbe Local Municipality, acting in terms of section 16 (2) of the Municipal Finance Management Act, (Act 56 of 2003) hereby table the Final Annual Budget and Budget related policies to a council meeting. The council resolved;
  - 1.1. That the budget and Medium-Term Revenue and Expenditure Framework (MTEF) for the three year period commencing in 2019/2020 financial year be approved.
  - 1.2. To adopt the tabled assessment of 2019/20 from office of the MEC Finance, Comments were addressed and Cost containment measure.
  - 1.3. To approved of the operational and Capital budget for the outer years 2019/2020 and 2020/2022:

**Total Approve Capital Budget for Financial Year 2019/2020 and Project listed on table below:**

<b>R Thousand</b>	<b>Program/ Project Description</b>	<b>Asset Sub-class</b>	<b>Total Project Estimate</b>	<b>Project Information</b>
Own Funding	Motor Vehicles	Vehicles	R 3 200 000	New
MIG Project	Phase Two	Access Roads	R 644 650	Ward 3
MIG Project	Nkonkotho Pension Point	Penion Point	R 2 000 000	Ward 1
MIG Project	Fencing of Mangosuthu	Hall Community	R 2 000 000	Ward 2
MIG Project	eDumbe Community Renew	Hall Community	R 2 000 000	Ward 3
MIG Project	Kwampunzi Community Hall	Hall Community	R 2 700 000	Ward 5
MIG Project	Khambula Hall	Community Hall	R 2 700 000	Ward 7
MIG Project	Emfeni Access Roads	Rew Road	R 2 400 000	Ward 6
MIG Project	Paddafontein Community Hall	Community Hall New	R 2 700 00	Ward 8
<b>Total MIG EXPENDITURE</b>			<b>R 17 144 650</b>	
Electrification Services	Lenjann Electrification	Electrification	R 1 786 780	Ward 1
Electrification Services	Obivane Electrification	Electrification	R 4 104 952	Ward 1
Electrification Services	Phoqukhalo Electrification	Electrification	R1 500 000	Ward 3
Electrification Services	Infrastrure Electrification	Electrification	R376 257	Ward 3
Electrification Services	Nkembeni Electrification	Electrification	R1 392 142	Ward 6
Electrification Services	Ntungwini Electrification	Electrification	R 886 173	Ward 6
Electrification Services	Nhlungwane Electrification	Electrification	R 5 592 185	Ward 8
<b>Total Energy Expenditure</b>			<b>R 15 000 000</b>	
<b>TOTAL CAPITAL EXPENDITURE</b>			<b>R 35 344 650</b>	

1.4. To approve that provision was made for a general increase of 6.5% on Employee Related Costs and 6.% provision for the Upper limits for Remuneration and allowances for Councillors, implementation being subject to the confirmation by the SALGBC for employees and approval by MEC for Co-operative Governance and Traditional Affairs for councillors.

1.5. To take note that the mSCOA Regulations and Integrated Development Plan was observed and taken into account in the compilation of the budget.

1.6. Those copies of the budget are submitted to National Treasury, DCogta , DTLGA and Provincial Treasury as per the requirements of the MFMA.

1.7. To approve of the developed Electricity Theft By-law which will be communicated through public participation and to take note of the Budget related policies.

1.8. To approve of the budget funding (grants) and the proposed tariff charges

1.9. To approve tariffs , Refuse Removal ,Rates Tariffs as per the MFMA Budget Circular and NERSA guidelines for electricity tariffs as listed bellow tables as follows:

❖ Waste Removal Tariffs

<b>Waste removal proposed tariffs</b>	<b>2018/2019 excl. VAT</b>	<b>2019/2020 excl. VAT</b>
1. Domestic removal - Refuse	R 125.40	R 129.79
2. Business removal - Refuse		
1 - 2 Bins	R338.30	R350.14
3 - 4 Bins	R 507.85	R 525.62
5 - 6 Bins	R 546.75	R565.89
More than 6 Bins	R 783.65	R 811.08
3. Basic Refuse Charge		
Residential		R100.00
Business	0	R300.00

The final tariffs for the property rates which will be implemented by eDumbe Local Municipality is as follow:

Property Category	Budget 2018/2019	Rebate	Budget 2019/2020	Rebate
Residential	0.008949		0.009485	
Business, Commercial	0.02237	15%	0.02377	15%
Industrial business	0.01342		0.002371	
Agricultural	0.002237		0.002371	
State Owned Properties	0.02237		0.02371	
Public Service Purposes	0.002237		0.002371	
Public Service Infrastructure	0.002237		0.002371	
Multi Purpose Properties	0.02237	15%	0.002371	15%
Illegal use	0.02684		0.02845	
Vacant Land	0.02684		0.02845	
Place of Public Worship				
Municipal properties				
Communal Land				Exempted 100%
Public Benefit Organisation Properties, and Non-Profit Organisation Properties				

### Electricity Municipal Tariffs:

Financial Years	2019/20	2018/19
<b>Domestic: Prepaid and Conventional</b>	<b>c/kwh</b>	<b>c/kwh</b>
Block 1. 0 – 50 kwh	109.96	97.25
Block 2. 51 – 350 kwh	138.55	121.86
Block 3. 351 – 600 kwh	178.82	158.15
Block 4. > 600 kwh	185.48	164.04
*Conventional metering, fix monthly charge of Pm	231.89	205.05 pm
<b>Commercial prepaid</b>	<b>c/kwh</b>	<b>c/kwh</b>
Energy Charge.	215.89	190.97
<b>Commercial: Conventional</b>	<b>c/kwh</b>	<b>c/kwh</b>
Energy Charge .	172.49	152.56
*Conventional metering, fix monthly charge of	R 827.99 pm	R 732.28 pm
<b>Commercial (Vacant land)</b>		
Basic charge	R 559.04	R 545.97
<b>Industrial:</b>		
Energy Charge.	105.98 c/kwh	93.73 c/kwh
Demand Charge.	217.37 kva	192 kva
Basic Charge.	4261.81 per month	3769.18 Pm

1.9.1. That the tabled budget for the year 2019/2020 & indicative figures for the 2 projected outer years be adopted by Council as set out in the following schedules:

- 1.9.1.1. Table A1 Budget Summary
- 1.9.1.2. Table A2 Budgeted Financial Performance (By Standard Classification)
- 1.9.1.3. Table A3 Budgeted Financial Performance (By Municipal Vote)
- 1.9.1.4. Table A4 Budgeted Financial Performance (Revenue & Expenditure)
- 1.9.1.5. Table A5 Budgeted Capital Expenditure
- 1.9.1.6. Table A6 Budgeted Financial Position
- 1.9.1.7. Table A7 Budgeted Cash Flows
- 1.9.1.8. Table A8 Cash Backed Reserves
- 1.9.1.9. Table A9 Asset Management
- 1.9.1.10. Table A10 Basic Service Delivery Measurement
- 1.9.1.11. Supporting documents from SA1 – SA37

1.10. To approve Budget and Treasury policies for 2019/20 as follows

- ❖ Property Rates policy
- ❖ Indigent Policy
- ❖ Virement Policy
- ❖ Cash ,Banking and Investment Policy
- ❖ Petty Cash Policy and Credit Control policy
- ❖ Supply Chain Management Policy
- ❖ Debt impairment Policy
- ❖ Tariffs Policy
- ❖ Budget Policy Cash Banking and Investment Management Policy
- ❖ Customer Care, Credit, Debt Collection Policy and Bylaw.
- ❖ Budget Policy and Debt Impairment Policy
- ❖ Debt Incentive Policy
- ❖ Risk Policy
- ❖ Risk Management Policy
- ❖ Anti Fraud and Corruption Policy
- ❖ Whistle Blowing Policy
- ❖ Consultants Policy
- ❖ Service Delivery Policy
- ❖ Financial Misconduct Policy
- ❖ Electricity Bylaw

## **FOR CONSIDERATION**

Attachments: Yes

1. Schedule A budget document (A1 – A10)
2. Supporting Schedule (SA1 – SA37)
3. mSCOA compliant Budget
4. Budget Policies
5. KZN PT Municipal Draft Budget Assessment